

Towards a new green revolution

Guest Column



By **Srinath Fernando**

Father of the green revolution

BEFORE the subject is delved into, it would be pertinent to pay a tribute to Norman Ernest Borlaug, an American agronomist and a noble laureate, who is known as the father of the 'Green Revolution'.

Norman Ernest Borlaug pioneered in the research and development of high yielding crops, cereals and research on irrigation methods and has been able to save starving of millions of people around the world.

Borlaug displayed his intellectual acumen only during the 19th century. We Sri Lankans have a rich history of irrigation engineering, which goes back to three millennia. Our ancient achievements in irrigation engineering are unparalleled. Then how is it that we are now struggling with our rural economy? What really ails our agrarian economy?

Post-1977 saw a rapid increase in agricultural infrastructure development projects implemented under the Mahaweli development program. The then UNP Government in power had lofty ideals of transforming Sri Lanka into another Asian wonder or miracle. Nothing seems to have happened and the same old song of high cost of living and malnutrition is still being sung.

There were exalting desires to make Sri Lanka another Singapore. Singapore does not have an agrarian economy; its microeconomic trends are far from what Sri Lanka could hope for. Singapore is an international trading hub and boasts a very skilled and educated work force. There is zero tolerance for nationalism or any ultra nationalistic trends.

Its higher educational institutions have never been shut during its history. Its method of inducting students to universities was not based on 'Z score' and it would be futile to compare Singapore as a benchmark for success.

Economic fundamentals

The real benchmark for success is in achieving economic fundamentals. If Sri Lanka cannot achieve economic fundamentals, we have failed as a nation to stand on our own. What then are economic fundamentals?

The first is to look inwards and devel-



The contribution from the agriculture sector to employment has decreased

op our own industries. Implement a Sri Lanka Industry Participation Policy for foreign companies (www.ft.lk on 04/04/2012). Cultivate a sense of admiration for local products and improve them and bring them in line with acceptable standards. Make use of our water resources. Bring in investments, local or FDIs, in the agricultural sector. Increase our export potential.

Israel does not have water resources but exports agricultural products. Seek assistance from countries like Israel for agricultural development. Enhance access to rural credit through innovative services, thus empowering the farmer.

Water is the lifeblood of our economy. Divert the Mahaweli to the Northern Province and the people of Northern Province would show us how real development could be achieved through water resources. They are starved of water. If the south is not interested in agriculture, then water should be directed to the north, where they would work miracles out of water.

Let the green revolution begin from the north. Let red onions from the north fall into the frying pans of kitchens worldwide. Let the peels of the red onions from the north smile on the face of the Italian pizzas worldwide. When it happens, it would be the success of a green revolution in Sri Lanka.

The green revolution does not retrograde the industrial development efforts but should be pursued as a measure to be self sufficient in food requirements of the country and for export markets.

The 'Great Leap Forward' of the Chinese Community party was to transform China from an agrarian economy into a fully-fledged industrial economy. The priorities of Sri Lanka should necessarily differ from that of China. The green revolution envisaged in this article is to exploit our water resources and to revolutionise the agrarian economy.

Any lessons we can draw from Indian Planning Commission?

We can draw ample lessons from India.

We don't have to travel to America or Europe to study real economic planning with credentials in practical aspects of economic development.

The Economist report of February 2012 says: "In 1985, the year Mikhail Gorbachev took over as head of the Communist Party of the Soviet Union, India published its seventh economic plan. Its preface said planning was a 'precious gift' from Jawaharlal Nehru, India's first Prime Minister, who had been an admirer of Soviet economics. Inevitably, the goals of the document, which included ending poverty by 2000, were missed by a country mile as India slipped towards a crisis that prompted it to open up its economy in 1991. Yet some things about the report have the capacity to surprise today.

"The preface's author, Manmohan Singh, went on to lead the 1991 reforms and is now Prime Minister. The body behind it, the Planning Commission, is still alive and will soon launch its 12th plan for the five years beginning in April. It is the most powerful organ in India that would not be invented if it did not already exist. It is run by a bureaucratic rock star and, weirdly, is a bastion of liberal views in a government that has fallen out of love with reform."

Gorbachev had to confront the worst economic hardships in the Soviet Union and during his tenure the Soviet Union disintegrated because of the failed policies adopted by the successive governments.

India by this time had been inching towards self sustainability and made significant efforts to revive the economy. Is there anything we can learn from Indian planning exercises? Or should we change plans and policies as and when a new government is formed to meet its own whims and fancies? It is perhaps time the Constitution was amended to create a bipartisan National Planning Commission towards creating a new renaissance in Sri Lanka.

Agrarian reforms in Sri Lanka

The Central Bank of Sri Lanka Report 2011 shows that agriculture, manufacturing and services represent 11%, 17% and 59% of our GDP respectively, whereas in India, agriculture represents 16% of its GDP and employs around 50% of the total workforce. India achieved self sufficiency in wheat owing to India's own green revolution. It brought about other benefits as well.

Of course each country's economy has its own macro and micro economic trends which are unique to its own economic policies. The World Bank has identified that 80 per cent of Sri Lanka's population lives in rural areas and rural poor account for 95% of the country's poor. The report also says that agriculture share in GDP had declined continuously.

The contribution from the agriculture sector to employment has decreased from 36.8 per cent in 1995 to 30.5 per cent in 2005. The report identifies the challenges as being weaknesses in strategy and policies, heavy public sector regulatory interventions in commodity and input/factor markets, weak delivery of services in rural areas and the destructive impact of civil conflict and tsunami.

In order to obtain World Bank support, the report sets priority areas as improving agricultural growth performance, strengthening water and irrigation resources management, and creating an enabling environment for rural non-farm growth.

Access to rural credit is very crucial for a country like Sri Lanka. A legislative framework for rural credit needs to be looked at; either existing laws have to be reformed or new legislation should be introduced to enhance rural credit. This would enable traditional commercial banks, which have been licensed to operate in commercial banking, to tap the rural credit market. Adequate safeguards and oversight requirements too should be in place to protect the interests of the farmers for risk mitigation.

The real green revolution would take place only when the Government intervenes in policy adoption and implementation. Out-of-the-box thinking would be required to create ripples in an otherwise stagnant agrarian economy.

China and India would extend full support towards a new renaissance in Sri Lanka as both countries have experienced massive economic development programs along the path set by great thinkers of the calibre of Jawaharlal Nehru and Mao Zedong.

(The writer is a freelance journalist and a political lobbying and government affairs consultant.)

Viewing green taxation as a panacea is fatally flawed: ACCA

POLICYMAKERS and governments should not see environmental taxation as a cure-all, says the Association of Chartered Certified Accountants (ACCA) in a policy paper called 'Green Taxation in a Recession'.

Due to the ongoing global recession and economic uncertainty, governments are looking to environmental taxation as a possible way to bolster tax revenues. ACCA says that for this to happen successfully, governments need buy-in from business and their electorates.

Chas Roy-Chowdhury, author of the report and Head of Taxation at ACCA, says: "Tax shifting to environmental taxation cannot both solve the environmental crisis and raise significant tax income long term. This is because a system aimed at reducing what it is taxing, if successful, will eventually destroy its own tax base."

ACCA's paper offers a number of recommendations about green taxation, asserting that first and foremost a global approach to green taxation is needed.

Roy-Chowdhury explains: "Environmental taxes are an efficient but controversial way for governments to raise revenue. Most agree that making the polluter pay should be a principle of a modern tax system. But this needs to be done with care – especially to avoid companies relocating and taking the pollution problem with them."

Recommendations in ACCA's paper include:

Incentivise environmental goals, for example by reducing VAT on sustainable products

Governments should be as transparent as possible about green taxation, and they need to run public awareness campaigns to influence and speed up change – for instance with energy efficiencies

Governments should also consult widely before any policy changes are made, and prepare to reverse any changes if unintended consequences happen

Environmental taxes should be made more explicit and transparent, with costs and benefits analysed and assessed

Roy-Chowdhury adds: "ACCA questions how resilient environmental taxes will prove to be in the future. But we also believe that governments must use tax policy as an instrument of positive change by incentivising investment in new cleaner technologies across a wide range of industries.

"This can only be of benefit to business – it has to be remembered that cutting carbon usage can also create competitive advantage for business. Even in the midst of a financial crisis, consumers view environmental issues as important to their purchasing decisions and a business's credentials on environmental issues has a significant impact on consumer buying choices."

Roy-Chowdhury concludes: "Environmental taxation, which was almost unheard of 25 years ago, is now being widely used to assist in the fight against climate change, with taxes around the world on everything from emissions trading, plastic bags to energy consumption, car use and waste disposal. Business understands that 'business as usual' is no longer an option; but to endure a competitive and attractive economy in which to invest, green taxes need to be, clear, credible and certain."

What does it take to be a successful entrepreneur?

Guest Column



By **Chamil De Silva**

WHAT does it take to be a successful entrepreneur? The answer is not always clear. One can take a course in it; read a book on it; learn from someone who has done it before or find the answer by trial and error. Each one of these approaches provides a piece of the puzzle. However, there is no guarantee that one can become a successful entrepreneur by taking these initiatives.

Who wouldn't like to be their own boss, make a million bucks and have other people do what you tell them? Many people dream about becoming a successful entrepreneur but never take the first step. Some businesses succeed but many fail. There is no right or wrong way to be an entrepreneur but you can definitely learn a lot about the fundamentals from successful entrepreneurs.

Success of an entrepreneur is measured by the revenue and profit that generate from business activities. The higher the profit or potential profit, the venture is able to attract more investment and human resources. If the venture cannot generate an adequate cash flow to pay its expenses, services, suppliers or employees, eventually these ventures will go out of the business.

Who is an entrepreneur?

The term "entrepreneur" originated in French economics in early 17 centuries. Entrepreneur is "someone who under-

takes significant project or activity to create economic value". They find new and better ways to mix scarce resources to create greater economic value.

What is the process of Entrepreneurship?

Entrepreneurship is defined as "a process that involves the discovery, evaluation and exploitation of opportunities to introduce new products, services, processes, ways of organising, markets or efforts that previously had not existed". (Shane and Venkataraman, 2000)

There are no definite processes or rules that entrepreneurs must follow in creating new ventures. However, following basic guiding principles enable entrepreneurs to recognise and exploit new opportunities.

1. Opportunities:

A successful entrepreneur looks for new opportunities and takes actions and exploits these opportunities to create economic values. These are areas where the entrepreneurs believe they can use new processes, techniques and methods to mix resources to generate profit. Opportunities do not knock, so the entrepreneur needs to be innovative to find it.

Three former PayPal employees Chad Hurley, Steve Chen and Jawad Karim came up with an idea of a video sharing website in February 2005. They started its development in a garage in Menlo Park, California. After two months of development, in April 2005, they launched the site – YouTube. Since they didn't have enough money to support YouTube's growth they needed to seek out investors.

Investing in a high-tech start-up is always a risk, but they were able to convince a venture capital company, Sequoia Capital to provide them with US \$11.5 million seed capital to further develop their site. YouTube grew rapidly and in October 2006, Google Inc. acquired YouTube for a



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staggering amount of US \$1.65 billion.

All three parties – founders, Sequoia Capital and Google Inc. – envisioned opportunities in YouTube. Initially the three founders recognised the opportunity for a video sharing site: the venture capitalist realised the investment potential; and Google saw opportunity in YouTube for online advertising business.

2. Recognise the information about opportunities:

People think differently, feel differently and act differently based on the experiences they have gained throughout their lives. These differences are critical and central to the process of identifying opportunities.

In the absence of variation, everyone would recognise the same opportunities and act upon them, causing many people to compete for the same opportunities. The task of the entrepreneur is to find a real pain point and come up with an innovative and situation. Entrepreneurs analyse information at hand to find opportunities where others did not see any.

Why didn't other hi-tech companies see the opportunity for a video sharing site?

Or why did Google pay US\$ 1.65 billion to acquire YouTube? In fact, Google could have developed a similar video site with a fraction of the money they paid for the YouTube. But they all identified different opportunities with the information they had at the time.

3. Risk bearing

Entrepreneurs are risk takers! There is no guarantee that exploitation of opportunity will generate profit. You can do a market research, analyse existing ventures and industry statistics to make a guess about the future of a venture however, for destructive technology ventures, this information comes into existence only when entrepreneurs pursue the opportunity.

The exploitation of opportunities is uncertain. There is no way that YouTube founders could have predicted that their invention would change the way we use the internet in a few years. They identified an opportunity for a video sharing site and acted on it. Google then paid huge sum of money for an unproven fresh start-up. The decision that seemed foolish at the time turned out to be a successful investment for Google. In 2012, YouTube revealed that four billion videos view daily.

4. Organising

Organising scarce resources in unique ways is another characteristic of entrepreneurship. It could be the product, distribution channel, quality, service or price. There are many similar video websites created following YouTube's business model. However, only few of them are popular.

By far YouTube is the most popular video content site in the world. But why is YouTube so popular? YouTube provides better entertainment experience – free, easy to use, high quality with relatively low bandwidth, and they share advertising revenue with video publishers.

5. Innovation

The entrepreneurial process requires some form of innovation. Innovation means finding new ways to exploit opportunities that did not previously exist – new processes that spur creative destruction.

Dr. Victor Hettigoda received an ancient herbal medicine recipe from his farther. He created the wonder-balm – Siddhalepha – and started a venture with a seed capital of Rs. 2,500. It wasn't an easy task to compete with other imported balms at the time.

He walked from shop to shop selling his product. He developed a remarkable and memorable marketing slogan – "Siddhalepha is the Vedamahatmaya (physician) that should be in every home". Eventually Siddhalepha has become a must-have product in every household.

Dr. Hettigoda explains his success story: "I am a thinker. That is one of my favourite pastimes. I think and whatever that comes into my mind, I note it down in a small book. When I found out that selling my product was a problem, I spent several days doing nothing but smoking and thinking. Thinking and thinking about new ways of marketing my precious product." His innovative marketing strategies led to increase sales and profit.

In conclusion, entrepreneurs look for new opportunities, they analyse and envision about the opportunities differently. There is no guarantee that the process of exploiting opportunities will lead to success but entrepreneurs are risk takers and they take action on opportunities, and find innovative ways to solve problems to generate economic values.

(The writer is currently working on a technology start-up in Toronto and has over 10 years of experience in Enterprise Resource Planning (ERP) systems. He holds a Master of Business Entrepreneurship and Technology from the University of Waterloo and a B.Sc. in Accounting from the University of Sri Jayawardenepura. He can be reached at chamildesilva@gmail.com.)